

Message Text

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PAGE 01 BERN 00089 061637Z

ACTION EB-08

INFO OCT-01 EUR-12 EA-12 IO-14 ISO-00 SS-15 NSCE-00
SSO-00 USIE-00 AGRE-00 CEA-01 CIAE-00 COME-00
DODE-00 FRB-01 H-02 INR-07 INT-05 L-03 LAB-04
NSAE-00 PA-02 CTME-00 AID-05 STR-05 ITC-01
TRSE-00 PRS-01 SP-02 SOE-02 OMB-01 DOE-11 INRE-00
XMB-04 /119 W

-----086158 061640Z /40

O R 061600Z JAN 78

FM AMEMBASSY BERN

TO SECSTATE WASHDC IMMEDIATE 5527

INFO AMEMBASSY BONN

AMEMBASSY BRUSSELS

USMISSION GENEVA

AMEMBASSY LONDON

AMEMBASSY PARIS

AMEMBASSY ROME

AMCONSUL ZURICH POUCH

AMEMBASSY TOKYO

UNCLAS BERN 0089

PASS TREASURY AND FRB IMMEDIATE

USMTN ALSO FOR MISSION

USOECN ALSO FOR EMBASSY

EO 11652: NA

TAGS: EFIN SZ

SUBJ: SWISS REACTION TO US STATEMENT AND MARKET INTERVENTION

1. SWISS OFFICIAL AND UNOFFICIAL REACTION TO JAN 4
STATEMENT ON CONCERTED ACTION ON EXCHANGE MARKETS CAN
BEST BE SUMMARIZED AS FOLLOWS (FROM JAN 6
JOURNAL DE GENEVE EDITORIAL). AFTER GOING THROUGH
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PAGE 02 BERN 00089 061637Z

WELL-KNOWN ARGUMENTS ABOUT INHERENT PROBLEMS
OF ACTIVITATING SWAP ARRANGEMENTS AND EFFECT OF THIS
ON SUPPLY AND DEMAND FOR A CURRENCY, THE EDITORIAL
GOES ON TO CLOSE AS FOLLOWS: QTE WITHOUT LAUNCHING
INTO ABSURDITY ONE CAN WELL IMAGINE THAT FROM NOW
ON AND FOR A LONG PERIOD, EUROPE, JAPAN AND THE
PETROLEUM PRODUCERS WILL CONSOLIDATE THE AMERICAN

DEBT AND CONTRIBUTE AT SAME TIME TO REESTORE THE
LUSTER OF THE DOLLAR. FOR THE HEALTH OF THE AMERICAN
ECONOMY AND FOR THEIRS. UNQTE.

2. DESPITE THIS REACTION THE MARKET HAS NOT
RESPONDED ACCORDINGLY. THE DOLLAR OPENED ON JAN 5
AT 2.035 TO 2.05 AND CLOSED AT 2.05-2.055 WITH THE
ONE MONTH FORWARD AT 5.85. THIS MORNING, HOWEVER,
(JAN 6) THE DOLLAR OPENED AT 2.03 TO 2.04, A VERY WIDE
SPREAD INDEED, AND CLOSED AT 1.9950 TO 2.005, WITH
THE FORWARD AT 6.6. SWISS NATIONAL BANK FOREX OFFICIAL TOLD
EMBASSY CONDITIONS WERE CHAOTIC AND MARKET APPARENTLY UNCONVINCED
THAT LEVEL US INTERVENTION ADEQUATE STEM FURTHER DOLLAR
DECLINE.
WARNER

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NNN

Message Attributes

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Draft Date: 06 jan 1978
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Disposition Action: n/a
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 jan 1960
Disposition Event:
Disposition History: n/a
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Litigation History:
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Secure: OPEN
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Subject: SWISS REACTION TO US STATEMENT AND MARKET INTERVENTION
TAGS: EFIN, SZ
To: STATE
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